



City Light Review Panel Meeting Meeting Minutes

Date of Meeting: February 24, 2012

MEETING ATTENDANCE					
Panel Members:					
Name		Name		Name	
David Allen	✓	Stan Price	✓	Debbie Tarry	✓
Tom Lienesch	✓	Julie Ryan	✓	Eugene Wasserman	✓
Matt Lyons	x	Sue Selman	x		
Staff and Others:					
Brian Brumfield	✓	Tony Kilduff	✓	Paula Laschober	✓
Maura Brueger	✓	Calvin Chow	✓	Carl Mycoff	✓
Kim Kinney	✓	Councilmember O'Brien	✓	Rollin Fatland	✓
Suzanne Hartman	✓	Sahar Fathi	✓	Kyle Stetler	✓
Jorge Carrasco	✓	Phil West	x		
Karen Reed	✓	Jim Baggs	✓		
Steve Kern	✓	DaVonna Johnson	✓		

Call To Order

The meeting was called to order at 11:10 a.m.

Karen Reed welcomed everyone to the meeting and began with a review and approval of the agenda. The agenda was approved.

Approval of Minutes

The meeting participants reviewed the draft meeting minutes of January 31, 2012. The minutes were approved as submitted.

Presentations / Information

There was no public comment offered for today's meeting.

Karen Reed advised there was one email received in for the general mailbox asking when the draft plan would be ready. Suzanne Hartman informed the group that Council received the plan on Wednesday and it's posted on the website. She noted they've revitalized the strategic plan website and posted all the documents – the link is: <http://www.seattle.gov/light/strategic-plan/>. She also added that they will be posting the outreach calendar to the site.

Chairs Report:

Eugene Wasserman advised that he and Stan Price had meetings this week on the strategic plan. They made a presentation to the Council (Committee of the Whole) for about 15 minutes on



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Tuesday, February 21st. Eugene said that he and Stan went over the Review Panel's comments on how the process has worked well, and that the Panel will provide its final comments when the Plan is completed. Eugene summarized he thought the meeting went well. He noted that it is remarkable in his experience that the Panel members have stayed fully engaged for over nearly two full years, with eight of the original nine Members remaining.

Stan Price reported on the strategic plan discussion with the Seattle Chamber on February 23rd. This was the first outreach meeting on the Strategic Plan. He advised that people were very engaged and brought up some good comments and questions. David Allen was also in attendance, and he remarked that he felt that we've broken through on the credibility of the plan. Superintendent Carrasco added that he felt it was a very constructive discussion.

Suzanne Hartman addressed the meeting participants to provide an outreach update. She announced that we are live with our materials on the website <http://www.seattle.gov/light/strategic-plan/>. She is working with Cocker Fennessy to complete the outreach calendar, a draft of which was shared with the Panel.

Suzanne noted that there is a key customer meeting scheduled for March 12th. A Councilmember O'Brien Brown Bag is scheduled for March 22nd. They are planning a breakfast on March 28th and Councilmember Bagshaw has expressed an interest in that meeting to which small and medium sized businesses will be invited. Suzanne mentioned that Panel members have any specific target groups they would like the utility to reach out to, please let her know.

Suzanne described some of the tools the utility is using in the outreach efforts. There is the four page Folio which captures the essential elements of the draft plan. The utility will be doing an online survey. The Folio will include an FAQ document. They will plan to translate that into seven languages to take to those particular communities where English is a second language. She advised that we've already received media interest and there was a very good write-up in The Stranger after the Council meeting on Tuesday.

Suzanne encouraged the Review Panel Members to participate at the outreach meetings but said it's at their discretion to attend. If Panel Members are interested in attending any of the meetings, please let Suzanne or Kim know. Suzanne confirmed that she will send the Panel Members the dates and locations of the outreach event(s) happening and also take care of sending a summary of each meeting.

Maura Brueger spoke on the draft strategic plan handed out for today's meeting. She advised it is the final draft as of yesterday and the utility does not plan to edit it again until after the Outreach is completed. The new draft incorporates many comments from the Panel and adds additional information on customer class rate impacts. Superintendent Carrasco noted that the draft does a complete job of summarizing the plan and thinks the Folio does a good job of providing a high level snapshot.

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The Review Panel asked if they could receive the review panel meeting materials earlier so that they could have more advanced reading time to go through all of the information. It was agreed that efforts would be made to provide materials to the Panel 7 days in advance of scheduled meetings.

Karen Reed will prepare and distribute a template again for Panel members to use to provide comments on the new draft of the Strategic Plan. Comments can also be provided online.

The group moved on to discuss the remaining strategic plan issues on which the Panel may choose to comment. Karen noted that the list of items on which the Panel previously indicated it needs additional information are the baseline, efficiencies, AMI, debt policies, the Net Wholesale Revenue recommendation and the two alternative paths.

The group discussed the UMS study. Some people want the utility to do more than the \$18 M in efficiencies the utility is targeting. The utility has to conduct union negotiations in order to address some of the items that would allow it to gain more efficiencies. It is difficult to try to predict how much in efficiencies can be attained at this time. Some of the things needed to achieve efficiencies will require buying new equipment, spending money to get up to speed to enact the efficiency, and those actions will take time. Superintendent Carrasco noted that utility staff will come back to the group next month to provide further information on the efficiencies target.

Superintendent Carrasco said that they will be developing a framework with which to monitor the utility's performance. Every two years, the plan will be updated. He said that they plan to come back with an accountability report and then move to address the next two years.

The meeting participants discussed Advanced Metering Infrastructure (AMI) next. Eugene Wasserman said that he would like to get the business case before making recommendations on this matter. David Allen remarked that at the Seattle Chamber meeting, people were very interested and had asked when it was going to be in place. The group discussed the behavioral change that is necessary for people to be on board with AMI and smart meters. It was noted that it may be hard for the general public to see the value in monitoring their energy use and how to conserve and/or reduce. The utility will present the AMI business case next month. Maura Brueger said they will reach out to Co-Chairs to preview the presentation to verify that we're addressing the concerns.

Next, the group discussed debt policy and how it could mitigate rate impacts. Superintendent Carrasco noted that the city finance office is not in support of changing debt policy for these purposes and the rating agencies have expressed concerns about large reductions in the Rate Stabilization Account level; as a result, the utility is revisiting their approach to the Net Wholesale Revenue topic and will report back next month.

The Panel Members briefly discussed governance and whether they wished to comment. It was agreed the Panel should come back to this item after completing work on the Strategic Plan. The



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Panel felt that its major governance recommendations could distract from the Plan. Karen Reed said she will connect with Matt Lyons on this governance issue.

Karen asked the Panel for feedback on the preferred path and alternate paths described in the Plan. Superintendent Carrasco offered to bring an additional briefing on the bolder environmental green path at the next meeting and the Panel agreed this would be helpful.

Superintendent Carrasco spoke to the group about how compensation, retaining and recruiting talent is at core concern for the utility and the strategic plan. He introduced Carl Mycoff from Mycoff, Fry and Prouse, a consultant specializing in electric utility compensation issues, noting that Mr. Mycoff has a lot of experience with the trends in the electric industry and was in attendance today to share his insight on how we might move forward in attracting and retaining top talent.

Mr. Mycoff described some of the quantitative and qualitative issues affecting the workforce now. Things such as people wanting to work longer, the baby boomers issue, people's concerns about running out of money before retirement all contribute to workforce challenges. He explained the different mindset between Generation X and Generation Y and their differentiating motivating factors. He highlighted that the utility sector is one industry that is the most impacted by this because their workforce is more disproportionately Baby Boomers than other industries. He remarked that there is a cost to recruiting and intellectual capital. In comparison to other public power utilities, many of City Light's top staff are not paid at a competitive level. Carl reviewed information comparing other utility's top executive compensation as compared to Seattle City Light, showing significantly larger officer salaries at other utilities than Seattle City Light. He noted that top talent is often taken from public power to the private power who can and do pay top dollar to their senior executives.

Discussion ensued on the workforce challenges whereby Seattle City Light is not able to pay at average or above market ranges in many instances and in a very competitive market, City Light staff are often cherry-picked by neighboring utilities. It was noted that the cost of living in Seattle is an additional drawback and the utility does not have the ability to offer a cost of living adjustment.

Mr. Mycoff suggested to the utility they should consider ramping up college recruiting efforts and summer apprenticeships. Superintendent Carrasco noted that there are initiatives in the Strategic Plan for apprenticeships and other efforts. The utility is also trying to increase funding for employee training. Currently, City Light funds training at about \$194 per person per year, when the industry average is \$2200 per person per year.

The group discussed the Human Resources issues presenting challenges for the utility. If the Utility were able to pay competitively, there would not be such turn-over of top employees.

The last item on the agenda was rate design and cost allocation. Paula Laschober spoke on this topic and provided a handout showing some issues that could be potentially considered by the City Light Review Panel. She referred them to the 2012 timeline which depicted the dates they



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would need to provide input in order to impact the 2013-2014 rates. Tony Kilduff noted that this is not the last Strategic Plan. These issues could be considered in later years. The list presented today is not exhaustive, just some examples of issues that have been posed recently. Paula advised the Panel Members to refer to “The Guide for Rate Making” given to them in June 2011 to get another refresher on the topic of rates.

Eugene Wasserman remarked that there really was not enough time for the Review Panel to dive deeply into this rate design issue this year. It would be better to take more time and do it right than rush through this subject now.

Action Items

Karen Reed will draft a template for the Review Panel to provide their comments back to Kim Kinney. Kim Kinney will ensure the Panel Members get copies of all comments.

Suzanne Hartman will provide the Panel Members with a schedule of upcoming outreach dates and locations as well as summary notes from outreach meetings.

Kim Kinney will send the Panel Members the link to the strategic plan website.

Adjournment

There being no further business, the meeting was adjourned at 2:05 p.m.